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# FAMILY ECONOMICS REVIEW

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*IN THIS ISSUE:*

OUTLOOK MATERIALS:

CLOTHING AND TEXTILES

FAMILY ECONOMY

BANKRUPTCY

FOOD

HOUSING



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245

# CLOTHING AND TEXTILES: SUPPLIES, PRICES, AND OUTLOOK FOR 1982[1]

100 By Joan C. Courtless[2]

## Clothing Expenditures and Prices

Annual spending for clothing and shoes is estimated at $502 per person in 1981, according to preliminary figures for the first three quarters of the year (table 1). This amount exceeded 1980 spending by $42; half of this increase can be attributed to higher prices and half to increased buying.

Public confidence in the economy fluctuated from month to month.[3] Retailers were careful to maintain tight control over their inventories and to avoid overstocking merchandise. Credit restraints in 1980 encouraged consumers to postpone purchases, including apparel. Credit restraints were lifted in the third quarter of 1980, and during the first few months of 1981 consumer spending for autos, furniture and appliances, and apparel rose sharply. Retail sales of clothing, shoes, and accessories were stronger than expected, increasing about 3 percent above the same period in 1980.

Apparel and upkeep prices in 1981, as measured by the Consumer Price Index (CPI), increased 5.7 percent over 1980. This increase was less than the 10.6 percent increase for the "all items" category during the same period (table 2). For the past several years prices of apparel and upkeep have increased at a slower rate than the "all items" index. This trend should continue in 1982. Within the CPI clothing and footwear categories, women's suits and infants' and toddlers' apparel increased relatively more than other clothing items between August 1980 and August 1981 (table 3).

## New Trends in Merchandising

Retail sales. Color, glitter, and fabrics with a luxurious hand will distinguish clothing offered in 1982. The natural fiber content in fabric blends is increasing; silk and linen are more common in blends than in recent years. Shirt manufacturers are expanding production of woven sport shirts because of the popularity of the "western" fashion look and others; however, knit shirts will still represent over half the spring line because of their inherent comfort and appropriateness for active sportswear.

Denim production for domestic use is down slightly. Denim jeans will continue to dominate the casual pants market; however, sales of belted casual and jeans-style pants of polyester/cotton blends in fabrics of oxford cloth, duck, poplin, sheeting, corduroy, and lightweight twills are expected to increase. Anticipating a change in consumer buying, status jeans companies are diversifying by offering fashion sportswear and related separates.

Fashions for women will feature a fuller silhouette cinched in by wide belts, ruffles, puffy sleeves, and an asymmetric look. Accessories of metallic leather and shawls will continue to be widely promoted. Sports and leisure clothes will be supplanted by garments, such as suits, that are more appropriate for the working woman.[4] Note that from August 1980 to August 1981, women's suits increased in price (table 3) almost twice as much as did any other apparel item.

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[1] Information in this article is based on reports available during the period January through September 1981. Discussion of business trends is based on trade reports or news items in The Daily News Record, The Wall Street Journal, The Washington Post, The New York Times, The Kiplinger Newsletter, *Business Week*, *Knitting Times*, and *Changing Times*. Other sources are included in "References" at the end of this article.

[2] Family economist, Family Economics Research Group, Agricultural Research Service, U.S. Department of Agriculture.

[3] A nationwide telephone survey (*4*) of over 1,000 households conducted by R. H. Bruskin in late June 1981 showed that 57 percent thought that inflation was not yet under control.

[4] Over half of all women, 51.2 percent, were members of the labor force during the first half of 1980; working women numbered over 44 million persons (*11*).

Table 1. Annual expenditures on clothing and shoes[1]

| Year | Per capita expenditures[2]: Constant dollars (1972) | Per capita expenditures[2]: Current dollars | Percentage of expenditures for personal consumption: Constant dollars (1972) | Percentage of expenditures for personal consumption: Current dollars | Aggregate expenditures: Billions of constant dollars (1972) | Aggregate expenditures: Billions of current dollars |
|---|---|---|---|---|---|---|
| 1960 | 203 | 148 | 8.1 | 8.2 | 36.6 | 26.7 |
| 1961 | 203 | 149 | 8.1 | 8.2 | 37.3 | 27.4 |
| 1962 | 209 | 154 | 8.1 | 8.1 | 38.9 | 28.7 |
| 1963 | 209 | 156 | 7.9 | 7.9 | 39.6 | 29.5 |
| 1964 | 222 | 166 | 8.1 | 8.0 | 42.6 | 31.9 |
| 1965 | 227 | 172 | 7.9 | 7.8 | 44.2 | 33.5 |
| 1966 | 239 | 186 | 8.0 | 7.9 | 46.9 | 36.6 |
| 1967 | 236 | 192 | 7.8 | 7.8 | 46.9 | 38.2 |
| 1968 | 242 | 208 | 7.7 | 7.8 | 48.6 | 41.8 |
| 1969 | 245 | 223 | 7.6 | 7.8 | 49.6 | 45.1 |
| 1970 | 240 | 227 | 7.4 | 7.5 | 49.2 | 46.6 |
| 1971 | 249 | 244 | 7.5 | 7.6 | 51.6 | 50.5 |
| 1972 | 264 | 264 | 7.5 | 7.5 | 55.1 | 55.1 |
| 1973 | 281 | 291 | 7.7 | 7.6 | 59.2 | 61.3 |
| 1974 | 279 | 308 | 7.8 | 7.3 | 59.1 | 65.3 |
| 1975 | 288 | 328 | 7.9 | 7.2 | 61.4 | 70.1 |
| 1976 | 293 | 345 | 7.7 | 6.9 | 63.8 | 75.3 |
| 1977 | 304 | 373 | 7.8 | 6.8 | 67.0 | 82.1 |
| 1978 | 329 | 413 | 8.1 | 6.8 | 73.3 | 91.9 |
| 1979 | 340 | 439 | 8.2 | 6.5 | 76.6 | 98.9 |
| 1980 | 343 | 460 | 8.3 | 6.3 | 78.0 | 104.8 |
| 1981[3] | 364 | 502 | 8.7 | 6.3 | 83.5 | 115.4 |

[1] Includes yard goods, but excludes services such as cleaning and repairing clothing and shoes.
[2] Calculated by dividing aggregate expenditures for each year by population figures for July of each year.
[3] Preliminary figures—average of estimates for first 3 quarters of 1981 (i.e., seasonally adjusted quarterly totals at annual rates).

Sources: U.S. Department of Commerce, Bureau of the Census, 1981, Population estimates and projections, *Current Population Reports*, Series P-25, No. 903. U.S. Department of Commerce, Bureau of Economic Analysis, 1981, *Survey of Current Business* (table 2.2) and personal communication with the Bureau of Economic Analysis.

Table 2. Annual percentage change in selected indexes of consumer prices

| Consumer Price Index | 1977 | 1978 | 1979 | 1980 | 1981[1] |
|---|---|---|---|---|---|
| All items | +6.5 | +7.6 | +11.5 | +13.5 | +10.6 |
| Apparel and upkeep | +4.2 | +3.4 | +4.3 | +6.6 | +5.7 |
| Men's and boys' clothing | +4.6 | +2.3 | +2.5 | +4.6 | +5.5 |
| Women's and girls' clothing | +3.2 | +1.8 | +1.5 | +2.4 | +3.8 |
| Footwear | +4.7 | +4.0 | +8.0 | +8.0 | +5.8 |
| Other apparel commodities[2] | +4.6 | −0.1 | +7.4 | +16.3 | +4.0 |
| Infants and toddlers[3] | — | — | +3.5 | +9.8 | +11.4 |

[1] Preliminary estimates—average for first 8 months of 1981 compared with the average for first 8 months of 1980.
[2] Developed in 1976. Includes sewing materials and notions, jewelry, and luggage.
[3] Developed in 1978.

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1981, *News*, Consumer Price Index (monthly issues); and personal communication with the Bureau of Labor Statistics.

Alternative shopping patterns. The knowledgeable consumer in 1982 will have a variety of shopping opportunities to make the most of a shrinking clothing dollar.

- Cable television will carry "shopping shows" presenting merchandise that consumers can order. A two-way system will allow home shoppers to "talk back" through their televisions. An order for merchandise can be placed directly to the retailer by punching a special electronic keyboard provided by the shopping channel or by means of a direct telephone line. The alternative one-way system is a less costly way of subscribing to this service. Merchandise is viewed on television and can be ordered by use of a toll-free telephone number. Cable industry experts estimate that full use of this method of shopping may be 10 years away; however, experimental stations exist throughout the United States, and cable television is currently in 26.5 million homes. Prices are often discounted 25 to 40 percent because retailers can save on overhead costs, particularly in space and personnel. Sears, Roebuck & Co.[5] has made its summer catalog available on videodisc. It can be shown over cable television or viewed in any of the 3 million homes that have videodisc players.
- Department stores will be running more frequent and larger sales. Thousands of garments are bought specifically for sales. A survey of men's stores conducted by the Menswear Retailers of America found that approximately one-half of men's suits were purchased at less than full price (*5*).
- Off-priced retailers, those selling brand name fashions at everyday discounts, are growing in number and sales volume. Marketing experts predict that by 1985 as much as 15 percent of the apparel retail market will be shared by off-priced retailers.
- Women have discovered the boys' department where designer sportswear often sells for 25 to 50 percent less than comparable women's wear. Larger women are excluded from this shopping option because the largest boy's size 20 corresponds to a women's size 12.
- The stigma attached to secondhand clothing is disappearing. Regardless of income level, increasing numbers of consumers are shopping thrift stores for quality clothing at bargain prices. In a nationwide poll conducted by The Washington Post (*15*) and ABC News, 29 percent of persons surveyed said they shop at secondhand stores as much as possible, and another 20 percent shop there occasionally. In the Washington, D.C., area the number of thrift stores has increased from 23 to 35 in the last 5 years.
- Shopping by catalog, even though prices may not be lower than in retail stores, can eliminate transportation costs and save time and personal energy. Major retailers, such as Bloomingdales, Marshall Field, and Neiman-Marcus, are expanding direct mail order operations to capture a larger share of this market.

## Outlook for Raw Materials

The 1981 U.S. mill use of total fibers is estimated at 52.6 pounds per capita. This includes 12.2 pounds of cotton, 0.6 pound of wool, and 39.8 pounds of synthetic fibers. Per capita use in 1980 was 52.4 pounds, including 13.3 pounds of cotton, 0.5 pound of wool, and 38.6 pounds of synthetic fibers.

Cotton. The 1981 cotton crop is expected to be about 15.5 million bales, up 39 percent from last year. The average yield per acre increased from 404 pounds in 1980 to 540 pounds in 1981. This is just below the record high level of 548 pounds established in 1979.

During the first 7 months of 1981, the price of cotton averaged 89 cents a pound, 5 cents more than for the same period in 1980. Less than normal demand for cotton, because of high interest rates and worldwide unfavorable economic conditions, kept cotton prices from escalating in response to limited supplies. The large 1981 crop should keep cotton prices from increasing in 1982.

World consumption of cotton is expected to increase by at least 7 million bales over the next 5 years. By 1990, cotton consumption is predicted to exceed production capabilities by 13 percent. Foreign countries, including China, Japan, Hong Kong, Korea, and Taiwan, are the largest importers of cotton, and are expected

[5] Company names are used in this article solely for the purpose of providing specific information. Mention of a company name does not constitute an endorsement by the U.S. Department of Agriculture over other companies not mentioned.

to continue consuming increasing quantities of cotton.

**Wool.** U.S. wool production for 1981 is estimated at 3 percent above the 1980 yield and 6 percent above the 1978 record low yield. Mill consumption of apparel wool for 1981 is estimated at 12 percent above 1980 and 50 percent above 1974's low point. Imports of raw wool for apparel in the first 6 months of 1981 were more than double those for the same period in 1980.

The number of sheep and lambs on farms on January 1, 1981, was up 2 percent from a year earlier and was the highest count since 1976. The 1982 outlook is for production to continue at about the same rate as in 1981 and for mill consumption of apparel wool to decrease 1 percent below 1981 levels.

World demand for wool is expected to increase in the next 5 years. Wool will become suitable for a greater variety of products than before because of new technologies being used by the wool industry to make wool have a durable crease and to make it machine washable, flame resistant, and mothproof. U.S. farm prices for wool were about 10 cents per pound higher in the first 7 months of 1981 than in the same period in 1980. A 30-year, record-high price of $1.06 a pound was reached in June 1981. Wool prices are expected to increase in the next few years at the same rate as overall inflation.

Table 3. Percentage change in selected index of consumer prices from August 1980 to August 1981

| Consumer Price Index | Percentage change |
|---|---|
| All items | +10.8 |
| Apparel and upkeep | +5.6 |
| Men's and boys' clothing | +5.9 |
| Men's | +6.3 |
| Suits, sport coats, and jackets | +4.7 |
| Coats and jackets | +4.5 |
| Furnishings and special clothing | +7.7 |
| Shirts | +6.1 |
| Dungarees, jeans, and trousers | +7.1 |
| Boys' | +4.8 |
| Coats, jackets, sweaters, and shirts | +2.2 |
| Furnishings | +6.6 |
| Suits, trousers, sport coats, and jackets | +6.0 |
| Women's and girls' clothing | +4.6 |
| Women's | +4.5 |
| Coats and jackets | −0.1 |
| Dresses | +1.5 |
| Separates and sportswear | +1.4 |
| Underwear, nightwear, and hosiery | +5.9 |
| Suits | +20.3 |
| Girls' | +5.2 |
| Coats, jackets, dresses, and suits | +2.0 |
| Separates and sportswear | +8.1 |
| Underwear, nightwear, hosiery, and accessories | +5.0 |
| Infants' and toddlers' | +10.6 |
| Other apparel commodities | +1.0 |
| Sewing materials and notions | +4.8 |
| Jewelry and luggage | −0.4 |
| Footwear | +5.7 |
| Men's | +5.2 |
| Boys' and girls' | +5.2 |
| Women's | +6.4 |

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1980, CPI Detailed Report August 1980; and personal communication with the Bureau of Labor Statistics.

The Australian Wool Corporation (AWC) set the minimum reserve price level[6] for 1981-82 at $4.10 a kilogram, which compares with $3.65 for 1980-81. Raising the support level reflects confidence in the long-term demand for wool, according to David Asimus, chairman of the AWC.

Synthetic fiber. Shipments of synthetic fibers by U.S. producers during the first 8 months of 1981 were 6 percent above those a year earlier but 3 percent below the 1979 level.

The merger of Conoco, Inc., and E.I. Du Pont De Nemours & Co., Inc., became effective on September 30, 1981, and is expected to have a stabilizing effect on synthetic fiber prices in future years. With Du Pont's assured access to an oil source for raw materials, control over its cost, and long-range planning, the frequent price increases in recent years for polyester, acrylics, and nylon could be avoided.

Hides and leather. U.S. production of hides in 1981 is estimated at 3 percent above 1980, as 1 million more cattle go to market. Hide production for 1982 is expected to be 3 percent above that for 1981. Hide exports for 1981 are estimated at 3 percent lower than those for 1980. Dollar value of exports is expected to decline by 15 percent. Hide prices stabilized during 1981 at about $44 per 100 pounds with no increase anticipated in 1982.

### Developments in the Exporting and Importing of Fibers, Fabrics, and Apparel

Imports of textiles and apparel for the first 8 months of 1981 increased 14 percent over imports for the same period in 1980. Imports of fabric, particularly cotton, dominated the increase:

Percent change in imports from January-August 1980 to January-August 1981

| | Fabric | Apparel |
|---|---|---|
| Cotton | +40 | +9 |
| Wool | +16 | -1 |
| Synthetic fiber | +15 | +3 |

[6]The price at which the AWC purchases wool to decrease supply and increase prices.

The relative strength of the dollar makes American exports less competitive in the international market. U.S. textile exports, however, were up 7 percent and apparel exports were up 9 percent for the first 7 months of 1981 over the same period in 1980.

The Multifiber Arrangement (MFA), a set of multinational guidelines under which each importing nation negotiates bilateral agreements with exporters, sets the maximum limits of protectionist measures permitted by importing countries. Under the MFA, the United States has negotiated 25 bilateral agreements with 24 nations. Among the 12 that expire in 1982 and must be renegotiated are those with Hong Kong, Korea, and Taiwan, our major suppliers.[7] The current MFA expired on December 31, 1981. Negotiations that began in Geneva on July 14, 1981, were ajourned on September 25, 1981, without final agreement, and resumed on November 18, 1981. The United States, the European Economic Community, and the developing nations must come to an agreement that will offer orderly growth in exports to developing countries without disrupting the textile economies in the industrial nations.

### Government Regulations Affecting the Apparel Industry and the Clothing Consumer

The cotton dust[8] standard. On June 17, 1981, the Supreme Court ruled that Federal regulations protecting employees from danger in the workplace do not have to balance health benefits against cost to employers. Specifically, the Occupational Safety and Health Administration (OSHA) is not required to apply a cost-benefit analysis in establishing the cotton dust standard that sets limits for workers' exposure to cotton dust. The OSHA's cotton dust standard was issued in 1978 and later

[7]Remarks made at the Agricultural Outlook Conference in November 1981, at Washington, D.C., by Arthur Garel, Director, Office of Textiles and Apparel, U.S. Department of Commerce.

[8]Cotton dust has been linked to byssinosis or brown lung disease, a disabling respiratory ailment. In 1981, Cotton, Inc., budgeted about $2 million for byssinosis research. The USDA's Agricultural Research Service directed a similar amount for research concerning this problem.

challenged in Federal district court by the American Textile Manufacturers Institute and 12 individual textile companies. These companies sought a ruling that would require OSHA to determine that industry's cost to implement the regulation bears a reasonable relationship to its benefit to workers.

Textile mill executives estimate that at least two-thirds of the work areas already meet the standard. Smaller textile companies without much capital, however, could find it hard to remain competitive. Money for modernizing production equipment would have to be diverted to purchasing equipment needed to comply with the cotton dust standard. As a result of the Supreme Court decision, some mills may convert to synthetic fiber production and others may have to increase the price of cotton yarn. Cotton's share of the textile market would then probably decline.

Flammability standards. In December 1980, the Flammability Standards for Children's Sleepwear were extended by the Consumer Product Safety Commission (CPSC) to include sizes 7 through 14 and borderline children's sleepwear. These "borderline" garments could include T-shirts and decorated thermowear if they are marketed as sleepwear, or extensively used as sleepwear. The CPSC has three criteria for determining whether any garment can be classified as children's sleepwear:

- The nature of the product and its suitability for use by children for sleeping, or activities related to sleeping.

- The manner in which the product is distributed and promoted.

- The likelihood the product will be used by children primarily for sleeping or activities related to sleeping in a substantial number of cases.

Cash Discount Act. The "Cash Discount Act," passed by Congress in July 1981, permits merchants to offer unlimited discounts to cash-paying customers and prohibits sellers from imposing a surcharge on credit card users until February 1984. Merchants are also required to offer the discount to all prospective buyers and conspicuously disclose its availability. The law defines "regular price" as the price charged when payment is made by credit plan or credit card. Prior to the enactment of this law, 5 percent was the maximum discount permitted on cash purchases.

Care labeling amendment.[9] The proposed amendment to the care labeling rule was published in 1981 and is in the final stages of review by Congress. The amendment proposes coverage of leather and suede wearing apparel and textile products in the form of wearing apparel, linens, curtains and draperies, slipcovers, yarn, piece goods, upholstered furniture, and carpets and rugs.

Care instructions would have to include a method of washing, a method of drying, and ironing instructions when necessary. If hot temperatures cannot be used in each method, an appropriate temperature must be given. In addition, if all commercial bleaches cannot be used, a warning not to use bleach or to use only nonchlorine bleach must be included.

The instruction "dryclean" would mean that any drycleaning solvent can be used, and the normal process of drycleaning used in coin-operated machines or by professional drycleaners is safe. If this is not true, the instructions must state the solvent(s) that can be used and any modifications of the process that are necessary.

Care instructions for upholstered furniture, carpets, and rugs would have to contain at least one cleaning method and one cleaning agent that would be appropriate. The instruction will also indicate whether the cleaning should be done by a professional.

To ensure clarity and consistency of meaning for the instructions, a glossary of standard care terms will be used. Terms for use on upholstered furniture and carpets and rugs to date have not been included in the glossary; however, appropriate terms are being developed.

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[9] This information on the care labeling amendment was excerpted from a talk presented at the Agricultural Outlook Conference in November 1981, at Washington, D.C., by Earl W. Johnson, Bureau of Consumer Protection, Federal Trade Commission.

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# THE FAMILY IN THE EIGHTIES' ECONOMY

By Kathleen K. Scholl[1]

The Administration's economic program has four fundamental features that are designed to achieve real economic growth. These features include:

- A reduction in Government spending aimed at transferring resources from the public sector to the private sector, thus allowing the private sector to make resource allocation decisions;
- Continued restraint in the rate of growth in the money supply to improve price stability and reduce inflationary expectations;
- The introduction of a regulatory reform program to review and reevaluate all regulations, maintaining only those that are efficient and economically sound, thereby reducing the costs of processing goods and services; and
- The development of a tax-incentive policy to provide strong positive incentives for additional work, savings, and investment.

According to economists at the U.S. Department of Treasury,[2] the tax incentive feature will have the most impact on expanding the economy by providing more private sector jobs and increasing real income for families. The manner in which this tax incentive policy can achieve real economic growth might best be illustrated by the Laffer Curve. One evening, in a Washington restaurant, economist Arthur Laffer was asked to elaborate on his comment that two different tax rates can yield equal tax revenues for the Government. He explained his point by drawing the famous Laffer Curve on the restaurant's napkin.[3] Laffer, currently an economist at the University of Southern California, does not claim that he invented the curve, which many economics theorists have not adopted; but the relationship he depicted graphically has become the topic of economic debate for the eighties.

The Laffer Curve (see figure) demonstrates the theorized relationship between tax revenues and tax rates. The ends of the curve represent two extreme situations: (1) Tax rates are zero and no revenue is collected, and (2) tax rates are 100 percent, but no revenue is collected because no one will work. How many of us, after all, would work and give all our earnings to the Government? The top of the curve, point X, is the desirable economic situation in which the tax rates do not hinder production and yet tax revenues are at the maximum level. To the right of point X, the tax rates are too high and people choose not to work at their maximum because the Government collects too large a percentage of their income in taxes; therefore, less than maximum revenues are collected. To the left of point X, the tax rates are too low; the Government could tax at a higher rate and collect more revenues without a loss in productivity.

Some economists believe the economy was to the right of point X before the Federal tax cut of October 1981. They feel cutting the taxes will move the economy closer to point X. Critics fear that the economy may have been to the left of point X prior to the new Federal tax cut. A cut in tax rates would then decrease tax revenues more as the economy moved to a point to the extreme left. If the position is to the right of point X, however, the critics predict that a cut in taxes will drastically shift the economy to the left of the maximization point and reduce tax revenues.

Although some economists do not accept the relationship between tax revenues and tax rates that is depicted in the Laffer Curve, others (often called "supply-side economists") do believe that a cut in tax rates will increase tax revenues for the Government. These economists believe that, given the correct incentives, individuals will produce, save, and invest more than previous economic indicators have demonstrated. Incentives are created at the margin, where people make decisions. Increased productivity could result, for example, from tax cuts that decrease the added costs (income taxes) of working an additional

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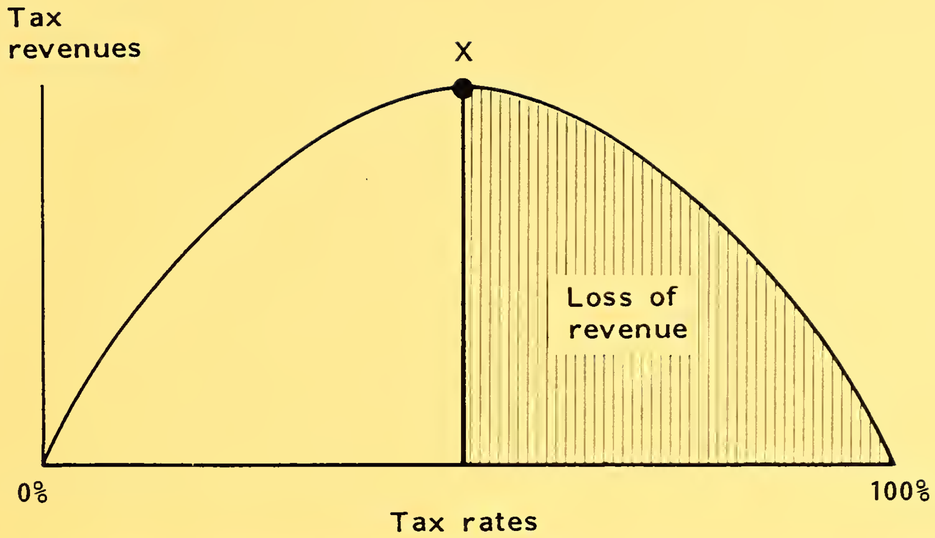
[1] Consumer economist, Family Economics Research Group, Agricultural Research Service, U.S. Department of Agriculture.

[2] Remarks made at the Agricultural Outlook Conference in November 1981, at Washington, D.C., by Manual H. Johnson, Deputy Assistant Secretary of the Treasury.

[3] Blum, David. 1978. The Laffer Curve: A social history. *The New Republic* 179(8):24-25.

## The Laffer Curve




hour—thereby creating an incentive for people to work longer and become more productive. Possibly people would choose to work longer because they will be able to keep a larger share of their additional income than before the tax cut.

Price theory is the basic concept of this economic philosophy. In the previous example, the price of working is the amount of income tax paid. A tax cut lowers that price on the additional hour of work, increases the take-home share of earnings, and provides incentive to work the additional hour. Changes in the price of working, however, can have two effects, income and substitution. If we assume that the economy was located to the right of the maximization point on the Laffer Curve prior to the Federal tax cut, the decisions families make about employment of their members may be affected by reduced tax rates. Few individuals have the opportunity for paid overtime on their primary jobs, but the reduction in individual tax rates from the tax incentive (substitution effect) may encourage workers to increase their incomes by adding part-time jobs. Furthermore, lowering the marginal costs associated with each wage earner could encourage some additional families to seek employment for both spouses. On the other hand, an income effect rather than a substitution effect may result from the tax cut incentive. A decline in tax rates would increase real income for the same amount of work. This increase might not encourage all families to undertake additional work or save the additional income, but it might encourage them to work less hours for the same amount of income and have more leisure time. Families also might choose to spend the increase for present consumption rather than save the extra income for future consumption.

Professionals in the field of family economics will be called upon to assist families as they respond to the new tax incentives and the changing economic environment. Families may find their levels of living changing with more workers and less reliance on public programs, thereby necessitating the establishment of new goals, standards of living, and roles within the family structure. Financial instruments such as IRA's, pensions, annuities, and life insurance may gain increased

significance as families become less dependent on Government support programs for retirement and financial emergencies. As multiple earners commute to multiple work locations, the location of the home may be changed to be nearer to the work environment. Families may purchase durable goods, such as microwave ovens and freezers, and will need purchase care and use information. Day care may be viewed not as a baby-sitting service but as a quality educational setting for child growth and development; families will need detailed information on the standards, requirements, and certification of the child-care centers. Home computers may become more widespread as financial planning tools and centers for communication. Professional home economists will be asked to provide information on current and developing traditional topics as families adjust to economic changes in their lives.

## SUGGESTED READING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# THE OUTLOOK FOR HOUSING AND MORTGAGE MARKETS[1]


By Dale P. Riordan[2]


The term "revolutionary" is one that tends to be overused. When applied to the residential shelter and financing industries, however, it is most appropriate. The changes made during the last several years in the basic mortgage instrument, for instance, have been nothing short of revolutionary. Those changes represent the first major alteration of the fixed-rate, long-term, fully amortizing loan that has been in use for many years. Similarly, the close connection that has developed between the capital and mortgage markets is another major change.

This article discusses briefly the current conditions in the housing and capital markets, and then some changes for the housing market and the home-buying public.

### The Current Situation

Without a doubt, we are now in a housing depression. New housing activity seems to be

[1] This article is condensed from a paper presented at the USDA Agricultural Outlook Conference in November 1981 at Washington, D.C. Complete copies are available from Family Economics Research Group (see p. 2 for address).

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headed for its lowest levels since World War II. Housing starts were at seasonally adjusted annual rates of 934,000 in August 1981 and 918,000 units in September 1981. Construction of single-family units, which fell 16 percent from the July level, accounted for the entire drop in August's 934,000 unit figure, while the September level reflected stability in all categories except 2- to 4-family units, which fell by 20 percent. Total housing permits issued also experienced a modest decline of 2.4 percent in September to a level of 844,000 units, an extremely low number. Single-family permits continued to fall from 494,000 in August to 448,000 in September, a decline of nearly 10 percent. The only "bright" spot in the permits levels was multifamily construction, which rose by 10 percent to a seasonally adjusted annual rate of 311,000 units. Because permit levels generally lead starts, this decline in permits means that we can expect continued depressed levels of construction of single-family homes for the near future.

The table shows the ratio of housing starts to building permits from 1970 through the first half of 1981. The starts-to-permits ratio is always near 100 percent, indicating that permits do turn into starts, albeit with a lag. The lags explain why the ratio is not exactly 100.

Despite the depressed construction activity for single-family housing, the median sales price of new single-family houses jumped $3,900 in August 1981 to $73,900. This was 17 percent higher than its level a year ago. This continued rise in new house prices may be attributable to two factors. Because of high interest rates, an increasing number of builders are now offering "buy-down" plans to qualify buyers for a mortgage. This is a price concession that is not reflected in the published figures. Thus, house prices are being kept arbitrarily high in return for discounted mortgage rates during the initial years of mortgage financing. Another factor causes increases in housing prices. With high current interest rates, fewer medium- than high-priced homes are sold, possibly because affluent buyers are not deterred by high rates. Therefore, the increase in house prices could be attributed, in part, to a statistical anomaly—a larger than normal proportion of high-priced houses is included in the survey data.

Ratio of single-family housing starts to building permits in permit-issuing places, 1970-81
[In thousand units]

| Year | Starts in permit-issuing places | Authorizations in permit-issuing places | Starts/permits ratio |
|---|---|---|---|
| | | | *Percent* |
| 1970 | 619.9 | 646.8 | 95.8 |
| 1971 | 894.0 | 906.1 | 98.7 |
| 1972 | 970.4 | 1,033.1 | 93.9 |
| 1973 | 855.5 | 882.1 | 97.0 |
| 1974 | 646.7 | 643.8 | 100.5 |
| 1975 | 673.3 | 675.5 | 99.7 |
| 1976 | 888.2 | 893.6 | 99.4 |
| 1977 | 1,130.4 | 1,126.1 | 100.4 |
| 1978 | 1,104.8 | 1,182.6 | 93.4 |
| 1979 | 997.6 | 981.5 | 101.6 |
| 1980 | 725.9 | 710.4 | 102.2 |
| 1981[1] | 702.0 | 663.3 | 105.9 |

[1] First half of 1981.

Source: U.S. Department of Commerce, Bureau of the Census, Housing starts, *Construction Reports*, Series C-20 for selected years.

Recent developments in delinquency rates also bear close scrutiny. Historically, the delinquency rate has been positively correlated (with a lag) to the unemployment rate. As general economic conditions worsen, more people lose their jobs, their income is interrupted, and they fall behind on their mortgage payments. Conversely, as the economy improves, the delinquency rate falls. In the winter of 1981-82, however, the unemployment rate is expected to edge upward, so we can expect that delinquency rates also will increase. The delinquency rate peaked at 1.65 percent during the 1974-75 economic downturn, was 0.85 percent early in 1979, and as of November 1981 was 1.2 percent.

## The Outlook

The Federal National Mortgage Association's (FNMA) forecast of interest rates calls for a continued decline in short rates through 1982, but a very slow decline in long rates. The major reasons for the slow decline in long rates are: Continued high real interest rates (in the range of 5 to 7 pct); only slight softening of inflationary expectations; and a significant corporate demand, as long rates decline slightly, for intermediate and long term credit that should keep long rates from falling too far.

How do these high and volatile rates affect lenders and their decisions to extend additional credit? Many lenders today have accepted their inability to predict interest rates for more than a very short period. There is, in addition, considerable disagreement about the likely course of the economy and the direction of monetary policy. Given all these uncertainties, lenders are hesitant to extend credit, especially fixed-rate, long-term credit.

We think that housing starts will recover from their lackluster 1981 performance, estimated at 1.0 to 1.1 million units, to a level of 1.4 million units in 1982. Although that level is far from normal, it would represent genuine recovery and would be the highest level since 1979. That estimate assumes that the economy does not enter into a prolonged recession/depression in 1982 but shows at least modest real growth; that short and intermediate rates decline moderately during 1982; that continued progress is made in the use and acceptance of adjustable rate mortgages (ARM's); and that further progress is made toward a more competitive and more viable thrift industry.

Government regulation influenced the prosperity, and even the survival, of traditional mortgage lending institutions—mortgage bankers, thrifts, and commercial banks—in the environment of inflation and volatile interest rates. In the seventies, prohibitions against adjustable rate mortgages and, in some cases, State usury ceilings virtually confined traditional mortgage lenders to fixed-rate mortgages -precisely the wrong kind of asset for any inflationary environment.

At the same time, limitations on deposit rates assured that depository institutions would have a difficult time attracting funds from small savers. Even today, those limitations are still in effect, and mortgage lending, in some States, has been made unattractive by prohibitions on due-on-sale clauses.

Housing will not fully recover until all institutions that finance housing are financially healthy, can compete at market rates for savings, and can invest in a mortgage instrument that is attractive in an inflationary environment.

## Development of Adjustable Rate Mortgages

Adjustable rate mortgages (ARM's) have developed over the last several years because the fixed-rate, long-term mortgage is no longer an adequate instrument for housing finance. Given the uncertainty in interest rates and monetary policy, as indicated above, lenders are unwilling to extend fixed-rate, long-term credit. Traditional mortgage lenders, such as FNMA and the thrifts, have financed the acquisition of their long-term mortgages with short-term funds. In that situation, those lenders were exposed to high risk if short-term rates should suddenly rise; however, the relative stability in the sixties and early seventies meant that borrowing "short" and lending "long" was a profitable business.

ARM's, or some version of them, were introduced as early as 1975, but they did not become prominent until early 1981. In 1981, the Comptroller of the Currency, the regulator for national banks, and the Comptroller of the Federal Home Loan Bank Board, the regulator for thrifts, published regulations

that significantly liberalized the authority of those lending institutions to make ARM's. Previously, they could do so only under limited circumstances.

In July of 1981, FNMA began offering the ARM purchase program—actually eight programs to accommodate the mortgage market. Initial activity to date was slow primarily because of the high level of rates, although activity picked up at the end of 1981 with lower rates. FNMA expects that as short- and medium-term rates continue to decline, ARM's will become more popular.

ARM's are typically indexed to some measure of interest rates, either short or long term. FNMA's eight ARM purchase options use a variety of indices—6-month Treasury bills; 1-, 3-, and 5-year Treasury notes; and, the Federal Home Loan Bank Board's (FHLBB) index of closed mortgage loans. Indexing is necessary because as the cost of funds in the market rises, the mortgages supported by those funds can shift by a similar amount. Conversely, if interest rates fall, the mortgage rates decline. The only exception to these indices is the FHLBB index. It is not a cost-of-funds index and is less desirable than others because it does not move up and down with interest rates.

Some ARM's have caps on interest rate and/or payment. If, for instance, a mortgage instrument allowed a 2 percent maximum change in any year, and if interest rates changed more than that, the mortgage rate could change by only 2 percent per year. Payment caps work in the same way. Such instruments are often desirable for borrowers, but are not preferred by lenders because they may not fully reflect changes in market rates. Therefore, they may carry higher initial mortgage rates to offset this risk.

Negative amortization is becoming a more common feature in ARM's. Negative amortization simply means that the monthly payment covers neither the required principal repayment nor all the scheduled interest. Therefore, the loan balance actually grows slightly each month. Negative amortization first became popular with graduated payment mortgages (GPM's), loans on which the initial monthly payment was lower than that on comparable fixed-rate loans; however, the payment increased annually for several years. Such loans are popular with first-time buyers, who cannot afford extremely high monthly payments.

Negative amortization is used in approximately the same way in ARM's. To reduce the impact of rising rates on monthly payments, the ARM instrument may incorporate a payment cap. The lender, however, would still receive the same benefit (through negative amortization) as if the payment were unconstrained because the principal grows. Hence, negative amortization can bridge the gap between excessive payment increases for borrowers and an adequate rate of return on investment for lenders.

It is difficult to estimate the ultimate impact of ARM's on the housing market because they are relatively new to mortgage finance. A number of things, however, can be said with certainty. First, home buyers will have to make higher monthly payments for housing—payments that reflect real interest rates. Because inflation was not anticipated during the seventies, real interest rates on mortgage credit were actually negative because the inflation rate exceeded mortgage rates. Second, housing will not occupy the favored political position that it did during the sixties and seventies, when its production and consumption were fed by subsidized interest rates. Finally, mortgage rates will be tied even more closely to bond market rates, especially with the growth of conventional mortgage-backed securities. That tie could mean that rates will be somewhat higher than they would be otherwise, but the supply of funds for housing probably will be enhanced. ARM's will play a growing role in this environment. For many years, mortgage credit has been subsidized by the lender or ultimate investor. Consequently, it suffered through many cycles because of its fixed-rate, long-term nature (potential buyers did not want to lock in high rates for 30 years). ARM's can deal with both problems—rate of return and cyclicality—in an efficient way.

# BANKRUPTCY IN THE UNITED STATES[1]

By William C. Dunkelberg[2]

The number of consumer and business bankruptcies in the United States has soared in recent years, generating considerable concern among creditors, legislators, and regulators responsible for the laws governing the bankruptcy process. There were about 410,000 bankruptcies in 1980, more than double the 1970 level, and 70 percent higher than the peak of 231,000 for the decade of the seventies that was reached in 1975 (table 1). The number of business failures has also surged in recent years, jumping from 7,500 in 1979 to 11,742 in 1980, with over 16,000 business bankruptcies projected for 1981.[3]

[1]This article is condensed from a paper presented at the Agricultural Outlook Conference in November 1981 at Washington, D.C. Complete copies are available from the Family Economics Research Group (see p. 2 for address).

[2]Associate professor of Economics and Management and senior research scholar with the Credit Research Center, Purdue University.

[3]Of the millions of firms in the United States, most are unincorporated, and the link between business and personal bankruptcy is somewhat difficult to discern. Many "small businesspersons" have reported taking out consumer loans to provide capital for their businesses since these loans were available at lower interest rates than business loans due to statutory usury ceilings on consumer lending.

Table 1. Bankruptcies in the United States

| Year | Personal[1] | Business[2] |
|---|---|---|
| | *Number* | |
| 1970 | 188,300 | 10,700 |
| 1971 | 171,800 | 10,300 |
| 1972 | 139,100 | 9,600 |
| 1973 | 157,700 | 9,300 |
| 1974 | 193,500 | 9,900 |
| 1975 | 231,000 | 11,400 |
| 1976 | 193,700 | 9,600 |
| 1977 | 176,600 | 7,900 |
| 1978 | 179,200 | 6,600 |
| 1979 | 228,500 | 7,600 |
| 1980 | 409,800 | 11,700 |
| 1981 | [3]457,100 | [4]16,400 |

[1]Bankruptcy Division, Administrative Office of the U.S. Courts, 1981.

[2]Dun and Bradstreet, 1981, selected issues, Wall Street Journal.

[3]First two quarters, annualized.

[4]Through October 1981, annualized.

The cause of the rapid runup in bankruptcies is not easily determined. The economic climate in the United States for the past several years has not been strong. Inflation, energy costs, rising taxes, and weak employment growth have all taken their toll. These factors, however, seem insufficient in themselves to explain the dramatic increase in bankruptcies. Many observers think that the new bankruptcy law is responsible for the surge in defaults. The law, which became effective in October 1979, made it substantially easier to declare bankruptcy, and in practice has reduced the economic cost of bankruptcy to the debtor.[4] Because the "price" of this economic good was reduced, it should not be surprising that consumers would demand more of it. Consumers declare bankruptcy when the economic value of bankruptcy exceeds the benefit associated with maintaining payments on existing liabilities. Thus, by either increasing the amount of net worth protected from creditors in bankruptcy proceedings or effectively reducing the percentage of outstanding obligations that must in fact be repaid to satisfy obligations, the value of bankruptcy to the debtor is increased. Just as consumers are more willing to drive faster with better brakes and are more careless about preventing theft because losses are insured, so consumers may be less careful about their use of credit when the protection of bankruptcy is available. The more protection afforded the consumer through the law, the more likely consumers are to take on larger amounts of debt relative to their assets or their capacity to repay.

Creditors adjust their lending standards to any given bankruptcy law, taking economically appropriate care (risks) to limit exposure to debtor default. By increasing downpayments and taking security interest, firms can mitigate the impact of potential bankruptcies.

[4]The establishment of Federal exemptions allows the debtor or the family, or both, to keep property of specific values. Most debtors in States recognizing the Federal exemptions are able to keep property of higher value than they were before the new legislation. See "Bankruptcy reform" in *Family Economics Review*, Summer/Fall 1980, pp. 37-38, for further information.

Credit standards can also be adjusted to limit exposure. Once such adjustments are made and credit is extended, however, changes in the law that reduce the cost of bankruptcy to debtors can leave creditors in an overly exposed condition.

Bad debt losses can be viewed as a transfer payment program. Clearly, debtors who default on their obligations receive a benefit equal to the defaulted sum owed. Who pays for this transfer? Unless the interest rates on loans have been properly established, the saver pays. Consumers deposit their savings in financial institutions that reinvest the funds, earning higher yields and diversifying the risk to the saver. For a given level of interest rates, higher bad debt losses mean lower returns to savers. Thus, transfers resulting from the bankruptcy process are funded by a "tax" on savings. This tax is frequently imposed when "the rules of the game" change after lenders and debtors have reached agreement on the terms of a loan. Thus, with the new bankruptcy law effective in October 1979, all existing lending agreements became obsolete, since the interest rates charged in the agreements less than fully reflected the default risk present in the new environment and lenders (savers) earned too low a return.

The increased ease of declaring bankruptcy raises the risk for all loans made to consumers, and thus raises the cost of lending. Customers of different risk classes are charged different rates to cover the associated lending risk.[5] Higher risk consumers will pay higher risk premiums for their loans and thus will pay higher interest rates. These "risk premiums" are like insurance premiums paid by the borrower to protect the lender from capital loss as a result of default (it should be remembered that the lender is simply an agent for the saver). If loans to high-risk consumers have a default rate of 5 failures per 100 loans compared with lower risk loans that have a rate of 1 per 100 loans, then clearly the lender must charge the high-risk borrowers a higher premium to cover the 5 defaults. All 100 risky borrowers pay this premium to induce the lender to make the loans. These "premiums" will be increased if the new bankruptcy law raises the loss rate on each given class of risk. Those higher premiums will be used to cover increased bankruptcy losses. Consequently, even if the saver can be protected from increased bankruptcy loss, these losses will still be subsidized by other consumers—in this case, those of the same risk class that faithfully repay their obligations.

Increased bankruptcy protection may help consumers who encounter difficulties in repaying their credit obligations. In many instances, such defaults will be due to socially acceptable causes (e.g., death, illness, disability, and long-term job loss). The incidence of credit losses may even exhibit desirable redistributive properties. A 1975 study of credit card defaults showed that nearly 60 percent of the uncollected debts came from the lowest 25 percent of the income distribution of credit card users (table 2). The top 30 percent of the card user income distribution benefited from only 5 percent of the losses.

Although a surge in bankruptcy filing was not surprising immediately after the new law was passed, the continued growth in the number of bankruptcies since 1980 has been disturbing. Even though economic growth has not been dramatic, it has not been substantially adverse either. Furthermore, the financial aggregates have indicated continued improvement in the consumer's financial position, not a deterioration as the bankruptcy figures

Table 2. "Transfer payments" from bad debts—retail credit cards, 1975

| Card user income | Percentage of card users | Share of bad debts |
|---|---|---|
| | | *Percent* |
| Under $7,500 | 11 | 35 |
| $7,500-10,000 | 14 | 24 |
| $10,001-15,000 | 25 | 23 |
| $15,001-20,000 | 21 | 13 |
| $20,001 or more | 29 | 5 |
| Total | 100 | 100 |

Source: William C. Dunkelberg, 1979, The transfer implications of consumer credit regulation, Kenneth Boulding and Thomas Wilson, eds., In *Redistribution Through the Financial System*, Praeger, New York, N.Y.

[5] Lending institutions themselves do not charge low-risk consumers a different interest rate than high-risk consumers. The structure of the lending institutions causes high-risk consumers to seek credit among institutions that charge high rates of interest.

might indicate. The proportion of after-tax income devoted to debt servicing has declined steadily since the new bankruptcy law was enacted (table 3). The ratio of savings deposits to short-term consumer debt has reached post-World War II high levels, while the ratios of credit extensions and installment debt outstanding to disposable income have declined.

Perhaps not all consumers have participated in this reliquidation process. Possibly some consumers, who have experienced economic adversity for a substantial period of time (e.g., auto workers in the Midwest), may be contributing to rising bankruptcy rates. Such structural disparities can result in misleading interpretations of the aggregate debt quality measures. At least through 1977, however, all income groups seemed to have participated in the trend toward improved portfolio liquidity (table 4). The average ratio of repayments to income fell from 19.6 percent in 1967 to 18.8 percent in 1977 and fell in every income group except the lowest 20 percent (although only 37 pct of the lowest income consumers had mortgage or installment debt, or both).

Thus, there was little evidence that consumers were "in trouble" or that the 1980 credit controls were really needed. Installment debt outstanding did increase by about $80 billion in the 1978-79 period but was slowing significantly by the end of 1979. Since 1979, installment debt owed has risen from $311 billion to about $320 billion, or about 3 percent in nearly 2 years. The 1978-79 surge in debt use, although large, was not out of line with inflation during the period and, in retrospect, still seems an unlikely candidate as the main cause of the surge in bankruptcy that followed. This is especially true since most of the increase in debt use seemed to be among consumers in the top 40 percent of the income distribution.

The substantial benefits to the debtor in the new bankruptcy law appear to encourage consumers to declare bankruptcy—a rational economic response to increased benefits and reduced social stigma. The cost of the rise in bankruptcies will come from earnings that might otherwise have accrued to savers and investors and from consumers who borrow money at elevated interest rates to cover higher bankruptcy losses. A recent Credit Research Center[6] study of bankruptcies indicated that 23 percent of bankrupt households could have repaid 100 percent of their obligations from available income within 5 years (table 5). An additional 17 percent could have repaid part of the nonmortgage obligations. Thus, 40 percent of the debtors studied received wealth transfers from savers and nondefaulting borrowers to cover debts that they could have repaid in full or in part within 5 years.

The use of bankruptcy will continue at relatively high rates. A weak economy, declining employment, and record high inter-

[6] Purdue University, 1981.

Table 3. Ratio of debt repayments to disposable income

| Date | Mortgage | Installment | Total |
|---|---|---|---|
| | | *Percent* | |
| 1980: | | | |
| 1st quarter . . . | 5.1 | 17.1 | 22.2 |
| 2d quarter . . . . | 5.1 | 16.6 | 21.7 |
| 3d quarter . . . . | 5.1 | 16.7 | 21.8 |
| 4th quarter . . . | 5.0 | 16.3 | 21.3 |
| 1981: | | | |
| 1st quarter . . . | 5.1 | 16.3 | 21.4 |
| 2d quarter . . . | 5.0 | 16.2 | 21.2 |

Source: Board of Governors of the Federal Reserve System, 1981.

Table 4. Debt to income ratios of consumers by income quintile

| Approximate income quintile | Percentage with debt | | Repayment as a percentage of total income | |
|---|---|---|---|---|
| | 1976 | 1977 | 1976 | 1977 |
| All families . . . . . | 59 | 67 | 20 | 19 |
| Lowest fifth . . | 30 | 37 | 36 | 39 |
| 2d fifth . . . . . . | 49 | 59 | 21 | 20 |
| 3d fifth . . . . . . | 68 | 75 | 18 | 18 |
| 4th fifth . . . . . | 76 | 83 | 17 | 16 |
| Highest fifth . . | 73 | 81 | 15 | 12 |

Source: William C. Dunkelberg, et. al., 1981, *Consumer Credit in the 1970's*, Purdue University.

Table 5. Percentage of nonmortgage (straight bankruptcy) debts[1] discharged that could be repaid in 60 months

| Repayment potential (percent) | Number of cases | Percent |
|---|---|---|
| 100 | 242 | 23 |
| 75 to 99.9 | 38 | 4 |
| 50 to 74.9 | 46 | 4 |
| 25 to 49.9 | 57 | 5 |
| 0 to 25.9 | 46 | 4 |
| None | 641 | 60 |
| Total | 1,070 | 100 |

[1] The Bankruptcy Code, 1979, P.O. 95-598, Ch. 7.

Source: Credit Research Center, 1981, Purdue University.

est rates will force some consumers into bankruptcy as is true in any business cycle. Many more consumers have debt today than in the past, and, overall, leverage in the consumer portfoilio has risen (accompanied by longer maturities), increasing consumer exposure to cyclical fluctuations in income. These factors aside, the law has provided bankruptcy a more attractive (less costly) alternative to debt repayment. Advertising by lawyers has provided new information to consumers and encouraged the use of bankruptcy. Thus, the number of bankruptcies can be expected to remain relatively high, even in recovery periods, until the current law is tightened.

# INCOME AND LIVING ARRANGEMENTS AMONG POOR AGED SINGLES

A study of 3,305 elderly persons receiving public assistance in 1973 and not living with a spouse indicated that living arrangements differ substantially between those who live alone and those who share accommodations. About 60 percent of the survey respondents lived alone. The majority of those who shared a home did so with one or more of their adult children.

The elderly who lived alone were more likely to be better educated, male, white, childless, residing in urban areas, and younger than the elderly in shared accommodations. They were also better able to deal with basic tasks of daily living than their counterparts.

Those who lived alone maintained a more active social life and enjoyed a financial advantage over the respondents who lived with others. Although their average monthly cash income was low ($157), it was higher than the average monthly income for persons who shared a home ($135). Elderly welfare recipients who lived alone were more likely than those living with others to own their homes and to have assets (exclusive of their home).

In poverty counts, living arrangements concealed some elderly. Of the aged who shared households, 81 percent were poor when their own incomes were matched against their individual poverty thresholds. Only 40 percent, however, lived in households whose combined income fell below the poverty standard appropriate to the larger unit. Compared with other recipients living alone, those in combined households were poorer individually but much less likely to live in poor households.

Source: Tissue, Thomas, and John L. McCoy, 1981, Income and living arrangements among poor aged singles, *Social Security Bulletin* 44(4):3-13, U.S. Department of Health and Human Services, Social Security Administration.

# FAMILY SUPPORT SEMINAR[1]

By A. Sidney Johnson[2]

There is a growing interest among the public and policymakers in examining the effect of policies on families. In 1973, the U.S. Senate conducted hearings on "American Families: Trends and Pressures." Testifying at those hearings were scholars, policymakers, religious leaders, and family members themselves. Margaret Mead seemed to speak for all the witnesses when she testified that we should have "family impact statements"—something like environmental impact statements—to assess and anticipate the effects of public policies on families.

The Family Impact Seminar (FIS) was founded in 1976 as a followup to the 1973 Senate hearings. The goal of FIS is to test the feasibility of assessing the effects of public policies on families, and to do so in an independent, nonpartisan setting.

One essential point explored by FIS was the number of policies of the Federal Government that affect families. FIS reviewed the *Catalog of Federal Domestic Assistance* and found 268 programs—administered by 17 different departments and agencies—with potential for direct impact on American families.

FIS found that policies at the State level often have an even more direct impact than those at the Federal level. State courts and legislatures make and interpret the laws affecting the most private and intimate areas of family life, such as marriage, divorce, and custody; child neglect and foster care; and the system of juvenile justice. FIS also concluded that county governments and private agencies can often have the most direct impact.

FIS developed an approach for examining the effects of policy on families—family impact analysis. The approach emphasizes the need to understand individuals not in isolation but in the context of their families, kin, neighborhoods, and communities. Family impact analysis examines the different functions families perform (such as economic support and child care) and how they may be affected by policy. It identifies various differences among families (such as differences of income, structure, life cycle stage, and cultural background) that should be considered in examining family impact. This approach was tested by use for indepth studies of three policy areas: Foster care, teenage pregnancy, and flexible work schedules. These efforts confirmed the value of the family impact analysis approach and suggested ways to improve it.

Based on research and experiences to date, the Family Impact Seminar made the following recommendations to the White House Conference on Families in 1980:

- Independent commissions or task forces for families should be created by interested localities and States, and at the national level, to insure that Government policies help families rather than hurt them.

- Additional organizations and agencies—both public and private—should examine the ways in which their policies and practices affect families.

- Additional organizations of families themselves should assess the impact on families of relevant policies or programs in their States or local communities.

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[1] This article is condensed from a paper presented at the Agricultural Outlook Conference in November 1981 at Washington, D.C. Complete copies are available from the Family Economics Research Group (see p. 2 for address).

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# THE CONTINUING CONSUMER EXPENDITURE SURVEY[1]

By Eva E. Jacobs[2]

The Bureau of Labor Statistics (BLS) has initiated a program of continuing consumer expenditure surveys. Field work, performed by the Bureau of the Census, began late in 1979. This program is designed to provide timely data on family expenditures. In the past, BLS conducted expenditure surveys about every 10 years (most recently during 1972-73) to revise the weights and associated item samples of the Consumer Price Index (CPI) and to help meet the need for information on how American families earn and spend their income. A unique asset of the BLS survey is that the expenditures can be related to the characteristics of the family. In the BLS published tables, expenditures are shown by income class, family size, age of head, region, and other characteristics.

The four main objectives of the continuing survey are to provide the following: (1) Information on consumer expenditures to support future CPI revisions; (2) a flexible data-collection system, serving a wide variety of social and economic analyses; (3) data needed by BLS to make timely revisions in the Family Budget Program; and (4) a continuous body of detailed expenditure and income data for research purposes.

The continuing survey will rely on methodology similar to that used for the 1972-73 survey.[3] The survey is actually two separate data collections, the Quarterly Interview Survey and the Diary Survey. In the Interview Survey a sample of families is questioned during each of five quarters about major components of expenditure such as housing, durables, clothing, as well as income, assets, and family characteristics. In the Diary Survey details are collected about frequently purchased items that do not lend themselves to long recall such as food at home, housekeeping supplies, and personal care items. A separate sample of families keeps a diary for two 1-week periods. The demographic composition of the family and income information are recorded in a short interview for the Diary Survey. Because of cost limitations, the total sample for both data collections is smaller than that of previous surveys. About 4,800 completed schedules are expected each year, compared with the 10,000 per year in 1972-73; however, averages of data for several years provide data of equal statistical reliability.

When the data are examined for particular groups (such as single-parent or dual-career families), they still represent averages, and individual households will differ from these averages depending upon individual circumstances. Any comparison between the averages and an individual household would have to take account of these variations that may be attributable, for example, to differences in location, homeowner status, number of earners, or number of children.

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[1] This article is condensed for a paper presented at the Agricultural Outlook Conference in November 1981 at Washington, D.C. Complete copies are available from the Family Economics Research Group (see p. 2 for address).

[2] Chief, Division of Living Condition Studies, Bureau of Labor Statistics.

[3] See description in *Monthly Labor Review*, December 1974, pp. 16-23.

# FOOD OUTLOOK[1]

By R. McFall Lamm and Paul C. Westcott[2]

In 1981, real expenditures on food at grocery stores rose about 1 percent above the 1980 level, largely because of increased demand for food at home in response to lower incomes in mid-1981 and increased expenditures on meats as low prices stimulated purchases.

In contrast, real per capita consumer expenditures on food purchased for on-premises consumption (at restaurants, cafeterias, and fast-food establishments) declined during most of 1981 and may fall below the 1980 level.

Substantial increases in food marketing costs of 8 to 10 percent, combined with nominal increases in farm-level prices, may increase grocery store prices by 5 to 8 percent in 1982 (a 6-percent rise is most likely). Prices at restaurants, cafeterias, and fast-food chains are expected to rise 8 percent next year as the economy recovers from the current recession and as consumer demand increases. Combined with the 6-percent increase in prices for food purchased at grocery stores, retail prices for all food will probably increase about 7 percent in 1982. This is below the 1981 expected increase of 8.2 percent and represents a significant decline from the double-digit increases of 1978 and 1979 (see table).

[1] This article is condensed from a paper presented at the Agricultural Outlook Conference in November 1981 at Washington, D.C. Complete copies are available from the Family Economics Research Group (see p. 2 for address).

[2] Agricultural economists, Economic Research Service, USDA.

Changes in the CPI for food: 1978 through 1981 and 1982 forecasts[1]

| Component | Relative importance in food CPI | Change in— 1978 | 1979 | 1980 | 1981 (preliminary) | 1982 (forecast) |
|---|---|---|---|---|---|---|
| Food | 100.0 | 10.0 | 10.9 | 8.6 | 8.2 | 7 |
| Food away from home | 30.7 | 9.0 | 11.2 | 9.9 | 9.3 | 8 |
| Food at home | 69.3 | 10.5 | 10.8 | 8.0 | 7.8 | 6 |
| Cereals and bakery products | 8.7 | 8.9 | 10.1 | 11.9 | 10.2 | 7-8 |
| Beef and veal | 9.8 | 22.9 | 27.3 | 5.7 | 1.8 | 5-7 |
| Pork | 4.7 | 12.9 | 1.5 | -3.4 | 9.8 | 8-11 |
| Other meats | 3.0 | 17.8 | 14.7 | 3.8 | 5.0 | 6-7 |
| Poultry | 2.3 | 10.3 | 5.0 | 5.1 | 5.5 | 3-5 |
| Fish and seafood | 2.3 | 9.5 | 9.8 | 9.2 | 8.9 | 8-9 |
| Eggs | 1.3 | -5.5 | 9.5 | -1.8 | 7.8 | 4-5 |
| Dairy products | 9.3 | 6.7 | 11.6 | 9.8 | 7.5 | 4-5 |
| Fresh fruits | 2.4 | 19.4 | 12.4 | 6.2 | 5.3 | 8-9 |
| Fresh vegetables | 2.8 | 7.9 | 2.9 | 8.9 | 20.1 | -1-0 |
| Processed fruits and vegetables | 4.5 | 10.5 | 8.6 | 7.0 | 12.2 | 9-10 |
| Sugar and sweets | 2.9 | 12.2 | 7.8 | 22.9 | 8.2 | 2-3 |
| Fats and oils | 1.9 | 9.5 | 8.0 | 6.6 | 11.5 | 5-6 |
| Nonalcoholic beverages | 7.6 | 5.7 | 5.0 | 10.6 | 4.1 | 2-3 |
| Other prepared foods | 5.8 | 8.0 | 10.1 | 10.8 | 10.5 | 9-10 |

[1] Data for 1978, 1979, and 1980 are from the Bureau of Labor Statistics.

# MONEY INCOME AND POVERTY STATUS OF FAMILIES AND PERSONS

Double-digit inflation, along with a downturn in economic activity in the early months of 1980, caused a substantial decline in real income for American families. Although the median family income was higher in 1980 than in 1979, a 13.5 percent increase in consumer prices during the same period caused real median family income to decline 5.5 percent (see table). This decline represents the first significant annual decline in real median family income since 1974-75 and the largest decline recorded in the post-World War II period.

Farm families suffered a particularly large decline as their real median family income declined 14.8 percent in 1980. This compares with a 5.3 percent decline in real median family income for nonfarm families.

Families with no earners fared better than families with earners. Although families with at least one earner showed declines in real median income, families with no earners showed no statistically significant change in real terms from the 1979 level. The indexing of Social Security benefits, supplemental security income, and other sources of retirement income to the Consumer Price Index helped many families without earners to keep pace with inflation.

Although the real median income for men decreased 6.3 percent from 1979 to 1980, the real median income for women remained essentially unchanged. Accompanying the sharp decline in real median income was an increase of 3.2 million persons living below the poverty level between 1979 and 1980. There were 29.3 million persons classified as poor in 1980, constituting 13.0 percent of the U.S. population. In 1980, the poverty threshold for a nonfarm family of four was $8,414.

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Source: U.S. Department of Commerce, Bureau of the Census, 1981, Money income and poverty status of families and persons in the United States: 1980, *Current Population Reports,* Consumer Income, Series P-60, No. 127.

Median income in 1979 and 1980 by selected characteristics

| Characteristics | Median income | | Percentage change in real income |
|---|---|---|---|
| | 1980 | 1979 | |
| | ------ *Dollars* ------ | | |
| All families | 21,023 | 19,587 | [1]-5.5 |
| All males | 12,530 | 11,779 | [1]-6.3 |
| All females | 4,920 | 4,352 | -0.4 |
| Type of residence: | | | |
| Nonfarm | 21,151 | 19,678 | [1]-5.3 |
| Farm | 15,755 | 16,281 | [1]-14.8 |
| Number of earners: | | | |
| No earners | 8,562 | 7,662 | -1.6 |
| 1 earner | 16,714 | 15,585 | [1]-5.5 |
| 2 earners | 24,657 | 22,630 | [1]-4.0 |
| 3 earners | 31,833 | 29,452 | [1]-4.8 |
| 4 or more earners | 39,599 | 36,020 | [1]-3.2 |

[1] Statistically significant change at the 95 percent confidence level.

Source: U.S. Department of Commerce, Bureau of the Census, 1981, Money income and poverty status of families and persons in the United States: 1980, *Current Population Reports,* Consumer Income, Series P-60, No. 127.

## SOCIAL AND ECONOMIC CHARACTERISTICS OF AMERICANS DURING MIDLIFE

During the decade of the seventies, the middle-aged population (persons 45 to 64 years old) increased by approximately 2 million, from 42.0 million in 1970 to 43.9 million in 1979. The number of blacks in this age group increased much more rapidly than the number of whites (11 pct versus 3 pct), largely because of differences in fertility trends between the two races several decades earlier. By the end of the decade, middle-aged persons made up about 20 percent of the total population and 33 percent of the population in the principal working ages of 18 to 64. Nearly 9 in 10 middle-aged persons in 1979 lived in a family.

Incomes were higher of families maintained by middle-aged men and women than of families maintained by either younger or older adults. During the time when householders pass through middle age, most of them no longer have young children at home to raise and educate. By this time most workers have risen to their maximum level in occupations or professions, and their seniority has been accumulated or professional standing confirmed. In addition, many middle-aged wives, freed of the constraints imposed by childbearing, enter or re-enter the labor force. Although black middle-aged families exhibit the same income characteristics as white middle-aged families, the median income of black families is about $8,000 less than that of white families.

Only 6 percent of all middle-aged families lived below the poverty level in 1978. This compares with 10 percent of families maintained by persons 25 to 44 years old and 8 percent of families maintained by elderly persons. A major reason for the lower incidence of poverty among middle-aged families is that they are likely to have more than one earner. A much larger proportion of black than white middle-aged families were poor, 20 percent compared with 5 percent.

In 1979, about two-thirds of all middle-aged persons were in the labor force. Unemployment among middle-aged persons in 1979 was about 3 percent.

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Source: U.S. Department of Commerce, Bureau of the Census, 1981, Social and economic characteristics of Americans during midlife, *Current Population Reports*, Series P-23, No. 111.

## BUDGETS FOR A RETIRED COUPLE

The Bureau of Labor Statistics, U.S. Department of Labor, has updated three hypothetical annual budgets for a retired couple and related area indexes that can be used to compare the cost of these budgets in selected urban areas.[1] Changes in prices between autumn 1979 and autumn 1980 are reflected in this updating.

The estimated U.S. average annual cost, excluding personal income taxes, of the lower level budget for an urban retired couple was $6,644 in the autumn of 1980 (see table). The intermediate and higher level budget costs were $9,434 and $13,923, respectively. The costs of the budgets are generally lowest in nonmetropolitan areas and in southern cities, and highest in Anchorage and northeastern and western cities.

Between 1979 and 1980, the total cost of the lower budget rose by 10.3 percent, the intermediate budget rose by 10.2 percent,

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[1] As a result of a revision of the Consumer Price Index (CPI) program in January 1978, individual area price changes from autumn 1979 to autumn 1980 were available for only 25 family budget areas. Areas that no longer have CPI information are: Northeast—Hartford, Conn., Lancaster, Pa., Portland, Maine; North Central—Cedar Rapids, Iowa, Champaign-Urbana, Ill., Dayton, Ohio, Green Bay, Wis., Indianapolis, Ind., Wichita, Kans.; South—Austin, Tex., Baton Rouge, La., Durham, N.C., Nashville, Tenn., Orlando, Fla.; and West— Bakersfield, Calif.

and the higher budget rose 9.9 percent. These figures represent the largest increases since 1974.

The transportation component showed the largest increases, approximately 16 percent for the lower and intermediate budgets and 14 percent for the higher budget. Medical care costs also showed a sharp rise, increasing approximately 13 percent for all three levels.

The retired couple is defined as a husband, age 65 or over, and his wife. They are assumed to be self-supporting and living in an urban area. The couple is considered to be in reasonably good health, and they are able to take care of themselves. Qualities and quantities of goods and services provided for each level vary according to differences in consumption patterns. Area indexes reflect variation in climate and type of transportation facilities. Three hypothetical lists of goods and services were specified in the midsixties to portray three relative levels of living—lower, intermediate, and higher—for a retired couple. The cost of the lower budget is not intended to represent the income necessary for subsistence at the povery level; it simply represents a level relatively lower than the intermediate budget.

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1981, Three budgets for a retired couple, autumn 1980; *News*, USDL 81-384.

Annual budgets for a retired couple at three levels of living, urban United States, autumn 1980

| Component | Lower budget | Intermediate budget | Higher budget |
|---|---|---|---|
| Total budget[1] | $6,644 | $9,434 | $13,923 |
| Total family consumption | 6,358 | 8,866 | 12,885 |
| Food | 2,082 | 2,772 | 3,482 |
| Housing | 2,169 | 3,106 | 4,860 |
| Transportation | 487 | 950 | 1,748 |
| Clothing | 236 | 396 | 609 |
| Personal care | 184 | 269 | 394 |
| Medical care[2] | 944 | 950 | 956 |
| Other family consumption | 255 | 424 | 837 |
| Other items | 286 | 568 | 1,037 |

[1] Beginning with the autumn 1973 updating of the budgets for a retired couple, the total budget is defined as the sum of "total family consumption" and "other items." Income taxes are not included in the total budgets.

[2] The autumn 1980 cost estimates for medical care contain a preliminary estimate for "out-of-pocket" costs for medicare.

Note: Because of rounding, sums of individual items may not equal totals.

Source: U.S. Department of Labor, Bureau of Labor Statistics, 1981. Three budgets for a retired couple, autumn 1980; *News*, USDL 81-384.

245

# UPDATED ESTIMATES OF THE COST OF RAISING A CHILD [E-2].

The cost of raising urban children: Annual average[1]

| Age of child (years) | Total | Food at home[2] | Food away from home | Clothing | Housing[3] | Medical care | Education | Transportation | All other[4] |
|---|---|---|---|---|---|---|---|---|---|
| NORTH CENTRAL | | | | | | | | | |
| Under 1 | $ 3,732 | $ 521 | $ 0 | $ 129 | $ 1,628 | $ 220 | $ 0 | $ 774 | $ 460 |
| 1 | 3,851 | 640 | 0 | 129 | 1,628 | 220 | 0 | 774 | 460 |
| 2-3 | 3,589 | 640 | 0 | 209 | 1,430 | 220 | 0 | 674 | 416 |
| 4-5 | 3,806 | 734 | 123 | 209 | 1,430 | 220 | 0 | 674 | 416 |
| 6 | 3,949 | 711 | 123 | 289 | 1,356 | 220 | 94 | 674 | 482 |
| 7-9 | 4,115 | 877 | 123 | 289 | 1,356 | 220 | 94 | 674 | 482 |
| 10-11 | 4,280 | 1,042 | 123 | 289 | 1,356 | 220 | 94 | 674 | 482 |
| 12 | 4,579 | 1,066 | 147 | 418 | 1,406 | 220 | 94 | 724 | 504 |
| 13-15 | 4,698 | 1,185 | 147 | 418 | 1,406 | 220 | 94 | 724 | 504 |
| 16-17 | 5,169 | 1,327 | 147 | 579 | 1,455 | 220 | 94 | 799 | 548 |
| Total | 76,238 | 16,610 | 1,866 | 5,658 | 25,646 | 3,960 | 1,128 | 12,782 | 8,588 |
| NORTHEAST | | | | | | | | | |
| Under 1 | 3,707 | 616 | 0 | 129 | 1,652 | 220 | 0 | 674 | 416 |
| 1 | 3,849 | 758 | 0 | 129 | 1,652 | 220 | 0 | 674 | 416 |
| 2-3 | 3,745 | 734 | 0 | 225 | 1,504 | 220 | 0 | 624 | 438 |
| 4-5 | 3,963 | 829 | 123 | 225 | 1,504 | 220 | 0 | 624 | 438 |
| 6 | 4,227 | 829 | 147 | 305 | 1,480 | 220 | 118 | 624 | 504 |
| 7-9 | 4,393 | 995 | 147 | 305 | 1,480 | 220 | 118 | 624 | 504 |
| 10-11 | 4,606 | 1,208 | 147 | 305 | 1,480 | 220 | 118 | 624 | 504 |
| 12 | 4,897 | 1,208 | 147 | 450 | 1,529 | 220 | 118 | 699 | 526 |
| 13-15 | 5,039 | 1,350 | 147 | 450 | 1,529 | 220 | 118 | 699 | 526 |
| 16-17 | 5,415 | 1,492 | 172 | 562 | 1,554 | 220 | 118 | 749 | 548 |
| Total | 80,434 | 18,972 | 2,060 | 5,912 | 27,424 | 3,960 | 1,416 | 11,882 | 8,808 |
| SOUTH | | | | | | | | | |
| Under 1 | 4,060 | 569 | 0 | 145 | 1,751 | 245 | 0 | 824 | 526 |
| 1 | 4,178 | 687 | 0 | 145 | 1,751 | 245 | 0 | 824 | 526 |
| 2-3 | 3,915 | 663 | 0 | 225 | 1,554 | 245 | 0 | 724 | 504 |
| 4-5 | 4,109 | 734 | 123 | 225 | 1,554 | 245 | 0 | 724 | 504 |
| 6 | 4,324 | 734 | 147 | 305 | 1,480 | 245 | 141 | 724 | 548 |
| 7-9 | 4,467 | 877 | 147 | 305 | 1,480 | 245 | 141 | 724 | 548 |
| 10-11 | 4,656 | 1,066 | 147 | 305 | 1,480 | 245 | 141 | 724 | 548 |
| 12 | 4,969 | 1,066 | 172 | 450 | 1,529 | 245 | 141 | 774 | 592 |
| 13-15 | 5,111 | 1,208 | 172 | 450 | 1,529 | 245 | 141 | 774 | 592 |
| 16-17 | 5,504 | 1,327 | 172 | 579 | 1,578 | 245 | 141 | 849 | 613 |
| Total | 82,633 | 16,891 | 2,160 | 5,978 | 27,870 | 4,410 | 1,692 | 13,682 | 9,950 |
| WEST | | | | | | | | | |
| Under 1 | 3,997 | 569 | 0 | 129 | 1,702 | 269 | 0 | 824 | 504 |
| 1 | 4,139 | 711 | 0 | 129 | 1,702 | 269 | 0 | 824 | 504 |
| 2-3 | 3,922 | 687 | 0 | 209 | 1,529 | 269 | 0 | 724 | 504 |
| 4-5 | 4,164 | 782 | 147 | 209 | 1,529 | 269 | 0 | 724 | 504 |
| 6 | 4,445 | 758 | 172 | 305 | 1,504 | 269 | 118 | 749 | 570 |
| 7-9 | 4,611 | 924 | 172 | 305 | 1,504 | 269 | 118 | 749 | 570 |
| 10-11 | 4,824 | 1,137 | 172 | 305 | 1,504 | 269 | 118 | 749 | 570 |
| 12 | 5,100 | 1,137 | 172 | 434 | 1,554 | 269 | 118 | 824 | 592 |
| 13-15 | 5,219 | 1,256 | 172 | 434 | 1,554 | 269 | 118 | 824 | 592 |
| 16-17 | 5,734 | 1,421 | 196 | 546 | 1,628 | 269 | 118 | 899 | 657 |
| Total | 84,459 | 17,769 | 2,406 | 5,752 | 28,016 | 4,842 | 1,416 | 14,132 | 10,126 |

[1] Annual cost of raising a child from birth to age 18, by age, in a husband-wife family with no more than 5 children, spending at the *moderate* cost level. For more information on these and additional child estimates, see USDA Miscellaneous Publication No. 1411 by Carolyn S. Edwards, "USDA Estimates of the Cost of Raising a Child: A Guide to Their Use and Interpretation". Single copies are available free from: Publications, Requests, and Distribution, Extension Service, Room 6007, South Building, Washington, D.C. 20250.

[2] Includes home-produced food and school lunches.

[3] Includes shelter, fuel, utilities, household operations, furnishings, and equipment.

[4] Includes personal care, recreation, reading, and other miscellaneous expenditures.

The cost of raising rural nonfarm children: Annual average[1]

| Age of child (years) | Total | Food at home[2] | Food away from home | Clothing | Housing[3] | Medical care | Education | Transportation | All other[4] |
|---|---|---|---|---|---|---|---|---|---|
| NORTH CENTRAL | | | | | | | | | |
| Under 1 . . . . . . | $3,525 | $ 474 | $ 0 | $ 112 | $ 1,554 | $ 220 | $ 0 | $ 749 | $ 416 |
| 1 . . . . . . . . . . . | 3,643 | 592 | 0 | 112 | 1,554 | 220 | 0 | 749 | 416 |
| 2-3 . . . . . . . . . . | 3,245 | 569 | 0 | 177 | 1,307 | 196 | 0 | 624 | 372 |
| 4-5 . . . . . . . . . . | 3,437 | 663 | 98 | 177 | 1,307 | 196 | 0 | 624 | 372 |
| 6 . . . . . . . . . . . | 3,696 | 663 | 123 | 273 | 1,282 | 196 | 94 | 649 | 416 |
| 7-9 . . . . . . . . . . | 3,838 | 805 | 123 | 273 | 1,282 | 196 | 94 | 649 | 416 |
| 10-11 . . . . . . . . | 4,028 | 995 | 123 | 273 | 1,282 | 196 | 94 | 649 | 416 |
| 12 . . . . . . . . . . | 4,342 | 995 | 123 | 418 | 1,332 | 196 | 94 | 724 | 460 |
| 13-15 . . . . . . . . | 4,460 | 1,113 | 123 | 418 | 1,332 | 196 | 94 | 724 | 460 |
| 16-17 . . . . . . . . | 4,794 | 1,232 | 147 | 514 | 1,356 | 220 | 94 | 749 | 482 |
| Total . . . . . . | 71,108 | 15,396 | 1,720 | 5,270 | 24,068 | 3,624 | 1,128 | 12,282 | 7,620 |
| NORTHEAST | | | | | | | | | |
| Under 1 . . . . . . | 4,091 | 569 | 0 | 129 | 1,751 | 220 | 0 | 874 | 548 |
| 1 . . . . . . . . . . . | 4,209 | 687 | 0 | 129 | 1,751 | 220 | 0 | 874 | 548 |
| 2-3 . . . . . . . . . . | 4,020 | 663 | 0 | 209 | 1,603 | 220 | 0 | 799 | 526 |
| 4-5 . . . . . . . . . . | 4,262 | 758 | 147 | 209 | 1,603 | 220 | 0 | 799 | 526 |
| 6 . . . . . . . . . . . | 4,543 | 758 | 172 | 305 | 1,578 | 220 | 141 | 799 | 570 |
| 7-9 . . . . . . . . . . | 4,685 | 900 | 172 | 305 | 1,578 | 220 | 141 | 799 | 570 |
| 10-11 . . . . . . . . | 4,898 | 1,113 | 172 | 305 | 1,578 | 220 | 141 | 799 | 570 |
| 12 . . . . . . . . . . | 5,202 | 1,113 | 172 | 466 | 1,628 | 220 | 141 | 849 | 613 |
| 13-15 . . . . . . . . | 5,345 | 1,256 | 172 | 466 | 1,628 | 220 | 141 | 849 | 613 |
| 16-17 . . . . . . . . | 5,824 | 1,398 | 196 | 611 | 1,677 | 220 | 141 | 924 | 657 |
| Total . . . . . . | 86,143 | 17,459 | 2,406 | 6,010 | 29,248 | 3,960 | 1,692 | 14,982 | 10,386 |
| SOUTH | | | | | | | | | |
| Under 1 . . . . . . | 4,234 | 569 | 0 | 145 | 1,751 | 245 | 0 | 998 | 526 |
| 1 . . . . . . . . . . . | 4,328 | 663 | 0 | 145 | 1,751 | 245 | 0 | 998 | 526 |
| 2-3 . . . . . . . . . . | 3,920 | 640 | 0 | 225 | 1,504 | 245 | 0 | 824 | 482 |
| 4-5 . . . . . . . . . . | 4,161 | 734 | 147 | 225 | 1,504 | 245 | 0 | 824 | 482 |
| 6 . . . . . . . . . . . | 4,306 | 711 | 147 | 305 | 1,455 | 245 | 118 | 799 | 526 |
| 7-9 . . . . . . . . . . | 4,448 | 853 | 147 | 305 | 1,455 | 245 | 118 | 799 | 526 |
| 10-11 . . . . . . . . | 4,637 | 1,042 | 147 | 305 | 1,455 | 245 | 118 | 799 | 526 |
| 12 . . . . . . . . . . | 4,991 | 1,042 | 172 | 466 | 1,504 | 245 | 118 | 874 | 570 |
| 13-15 . . . . . . . . | 5,110 | 1,161 | 172 | 466 | 1,504 | 245 | 118 | 874 | 570 |
| 16-17 . . . . . . . . | 5,566 | 1,303 | 196 | 659 | 1,529 | 245 | 118 | 924 | 592 |
| Total . . . . . . | 83,101 | 16,465 | 2,256 | 6,202 | 27,322 | 4,410 | 1,416 | 15,430 | 9,600 |
| WEST | | | | | | | | | |
| Under 1 . . . . . . | 4,376 | 569 | 0 | 129 | 1,776 | 269 | 0 | 998 | 635 |
| 1 . . . . . . . . . . . | 4,494 | 687 | 0 | 129 | 1,776 | 269 | 0 | 998 | 635 |
| 2-3 . . . . . . . . . . | 4,065 | 663 | 0 | 209 | 1,529 | 245 | 0 | 849 | 570 |
| 4-5 . . . . . . . . . . | 4,307 | 758 | 147 | 209 | 1,529 | 245 | 0 | 849 | 570 |
| 6 . . . . . . . . . . . | 4,600 | 734 | 147 | 321 | 1,504 | 269 | 141 | 849 | 635 |
| 7-9 . . . . . . . . . . | 4,766 | 900 | 147 | 321 | 1,504 | 269 | 141 | 849 | 635 |
| 10-11 . . . . . . . . | 4,956 | 1,090 | 147 | 321 | 1,504 | 269 | 141 | 849 | 635 |
| 12 . . . . . . . . . . | 5,311 | 1,090 | 172 | 482 | 1,554 | 269 | 141 | 924 | 679 |
| 13-15 . . . . . . . . | 5,453 | 1,232 | 172 | 482 | 1,554 | 269 | 141 | 924 | 679 |
| 16-17 . . . . . . . . | 5,989 | 1,398 | 196 | 562 | 1,652 | 269 | 141 | 1,048 | 723 |
| Total . . . . . . | 88,072 | 17,294 | 2,256 | 6,072 | 28,212 | 4,746 | 1,692 | 16,278 | 11,522 |

[1] Annual cost of raising a child from birth to age 18, by age, in a husband-wife family with no more than 5 children, spending at the *moderate* cost level. For more information on these and additional child estimates, see USDA Miscellaneous Publication No. 1411 by Carolyn S. Edwards, "USDA Estimates of the Cost of Raising a Child: A Guide to Their Use and Interpretation". Single copies are available free from: Publications, Requests, and Distribution, Extension Service, Room 6007, South Building, Washington, D.C. 20250.
[2] Includes home-produced food and school lunches.
[3] Includes shelter, fuel, utilities, household operations, furnishings, and equipment.
[4] Includes personal care, recreation, reading, and other miscellaneous expenditures.

# CURRENT RESEARCH PROJECTS[1]

## QUALITY OF LIFE AS INFLUENCED BY AREA OF RESIDENCE

**Project Number:** NC-128 (Regional)

**Contact Person:**

Dr. Peggy Berger
Department of Consumer Sciences and Housing, Aylesworth Hall
Colorado State University
Fort Collins, Colo. 80523
303-491-5243

**Cooperating States:**

Arizona, California, Colorado, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, Nevada, Ohio, Texas.

**Starting Date:** July 1, 1976

**Termination Date:** September 30, 1980

**Objectives:**

To describe areas of residence in terms of factors that influence quality of life and to assess the impact of these factors on households with differing social and economic characteristics.

To establish a descriptive base to document and analyze change in atributes of quality of life.

**Findings:**

Differences between metrolpolitan and nonmetropolitan families are few. Rural programs should be developed considering the different social settings, but not the assumption that metropolitan and nonmetropolitan families are different.

**Selected Publications:**

(1) Metzen, E. J., F. L. Williams, J. Shull, D. R. Keefe, and S. A. Helmick. 1980. *Quality of Life as Affected by Area of Residence: Part 1, Project Description; Part 2, Perceptions of Metropolitan and Nonmetropolitan Family Member Research.* Bulletin 1036, 112 pp. Columbia, Mo. [North Central Regional Pub. No. 270].

(2) Hawkes, G. R., R. A. Harson, and J. W. Smith. 1980. *Quality of Life: Perspectives and Review.* Special Report 86, 31 pp. [North Central Regional Research Pub. No. 264].

## FOOD SUPPLEMENT USAGE AND EFFECTS ON NUTRITIONAL STATUS

**Project Number:** W-153 (Regional)

**Contact Person:**

Dr. Vijay S. Bhalla
College of Agriculture and Home Economics
New Mexico State University
Las Cruces, N.M. 88003
505-646-0111

**Cooperating States:**

Arizona, California, Colorado, Hawaii, Nevada, New Mexico, Washington.

**Starting Date:** October 1, 1978

**Termination Date:** September 30, 1983

**Objectives:**

To assess food supplement practices of adults in the Western region and to compare the nutritional status of users and nonusers of food supplements.

**Findings**

Results indicate that: (1) There is a high degree of food supplement use; (2) some levels of supplement use could be excessive and potentially toxic; (3) reasons for frequent use of a particular supplement cannot be substantiated on the bases of proven function or health benefit; and (4) supplement users represent a complex multifaceted group rather than a single, discrete group of individuals.

**Selected Publications**

Read, Marsha, et al. 1981. Potentially toxic vitamin supplementation practices among adults in seven Western States. *Nutrition Reports International* 24(6):1133-1138.

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[1]The staff of *Family Economics Review* invites your comments as to the usefulness of this feature. Please address your comments to: Joan Courtless, Family Economics Research Group (see address on p. 2).

# ASSETS OF THE ELDERLY AS THEY RETIRE

As Americans age and retire, they usually face a substantial loss of earnings, their primary source of income. Because the assets of these older Americans are generally small, many must reduce their standard of living after retirement. Information on the personal assets of older persons as they retire is available from the Retirement History Study, a longitudinal survey conducted by the Social Security Administration.[1]

Almost 90 percent of the elderly owned some form of assets during the survey. Although about 13 percent of the elderly reported assets of $50,000 or more, the median value of these assets was only $13,600 in 1975.[2] Couples maintained a more favorable asset position than nonmarried men and nonmarried women throughout the survey period. The advantage enjoyed by couples was attributed to their greater likelihood of homeownership and higher incomes that allowed them to accumulate more assets.

The value of assets and the proportion of elderly owning assets remained constant from 1969 to 1975 with no marked pattern of reduction in assets after retirement. This fact indicates that the elderly, who were between ages 58 and 63 years in 1969, had not begun to use their accumulated assets as a source of retirement income by 1975.

There was a positive relationship between income and amounts of assets. The amounts of assets owned by respondents in the lower half of the income distribution (the first and second quartiles) were low, particularly for nonmarried men and nonmarried women. In general, median assets for each respective income quartile were larger in 1975 than in 1969 (see table).

Liquid assets were the most common type of asset held by older Americans. Nearly 80 percent of the elderly had some liquid assets. The amounts of the liquid assets were small with a median value of $2,000 in 1975. Illiquid assets, excluding home equity, were held by about a fourth of older Americans, and the median value for those who did report was $7,000. Nearly two-thirds of all respondents and more than four-fifths of the couples had equity in a home. The median amount of home equity was approximately $9,000 in 1975.

Although not substantial, there was a pattern of decrease over time in the proportion of illiquid assets and, accordingly, increase in the relative proportions of liquid assets and home equity. This pattern suggests that composition of asset portfolios was altered by converting illiquid assets into liquid assets. Possibly those conversions were in preparation for financing future household consumption.

Most elderly had little or no debt and reduced their indebtedness over the 1969-75 period. When amounts of debt were calculated for older Americans who reported indebtedness, the median was $250 in 1969 and decreased to $179 in 1975. Thirty-four percent had some type of personal debt in 1969 compared with 27 percent in 1975. The proportion of the elderly who had personal debt was slightly higher for couples than for nonmarried men and nonmarried women, but this difference decreased during the survey.

Total assets of the Retirement History Study respondents[1]

| Income quartile (median assets) | Survey year (in constant 1969 dollars) | |
|---|---|---|
| | 1969 | 1975 |
| 1st quartile . . . . . . | 720 | 954 |
| 2d quartile . . . . . . | 8,031 | 8,913 |
| 3d quartile . . . . . . | 15,850 | 19,223 |
| 4th quartile . . . . . . | 30,400 | 36,196 |

[1] Includes respondents reporting 0 assets.

Source: Friedman, J., and Sjogren, J., 1981, Assets of the elderly as they retire, *Social Security Bulletin*, 44(1):16-31.

[1] This study sampled respondents who, at the time of the initial interviews in 1969, were aged 58 to 63 and were thus approaching retirement age. The group was surveyed every 2 years until 1979 when most had reached retirement.

[2] All dollar values are expressed in 1969 constant dollars.

Source: Friedman, J., and Sjogren, J., 1981, Assets of the elderly as they retire, *Social Security Bulletin* 44(1):16-31.

Cost of food at home estimated for food plans at 4 cost levels, December 1981, U.S. average[1]

| Sex-age groups | Cost for 1 week: Thrifty plan[2] | Cost for 1 week: Low-cost plan | Cost for 1 week: Moderate-cost plan | Cost for 1 week: Liberal plan | Cost for 1 month: Thrifty plan[2] | Cost for 1 month: Low-cost plan | Cost for 1 month: Moderate-cost plan | Cost for 1 month: Liberal plan |
|---|---|---|---|---|---|---|---|---|
| FAMILIES | | | | | | | | |
| Family of 2:[3] | | | | | | | | |
| 20-54 years | $33.10 | $42.60 | $53.40 | $63.70 | $143.20 | $184.60 | $230.80 | $276.00 |
| 55 years and over | 29.80 | 38.10 | 47.10 | 56.00 | 128.90 | 164.80 | 203.80 | 242.70 |
| Family of 4: | | | | | | | | |
| Couple, 20-54 years and children— | | | | | | | | |
| 1-2 and 3-5 years | 47.10 | 59.90 | 74.70 | 89.10 | 203.60 | 259.70 | 323.10 | 386.00 |
| 6-8 and 9-11 years | 56.70 | 72.40 | 90.70 | 108.30 | 245.70 | 314.00 | 392.70 | 469.30 |
| INDIVIDUALS[4] | | | | | | | | |
| Child: | | | | | | | | |
| 7 months to 1 year | 6.80 | 8.20 | 10.00 | 11.80 | 29.50 | 35.60 | 43.40 | 51.20 |
| 1-2 years | 7.70 | 9.70 | 11.90 | 14.10 | 33.20 | 41.90 | 51.50 | 61.10 |
| 3-5 years | 9.30 | 11.50 | 14.30 | 17.10 | 40.20 | 50.00 | 61.80 | 74.00 |
| 6-8 years | 11.80 | 15.00 | 18.70 | 22.40 | 51.20 | 65.00 | 81.20 | 97.00 |
| 9-11 years | 14.80 | 18.70 | 23.50 | 28.00 | 64.30 | 81.20 | 101.70 | 121.40 |
| Male: | | | | | | | | |
| 12-14 years | 15.80 | 19.90 | 24.80 | 29.60 | 68.40 | 86.20 | 107.60 | 128.40 |
| 15-19 years | 17.30 | 21.90 | 27.40 | 32.80 | 74.80 | 94.90 | 118.70 | 142.30 |
| 20-54 years | 16.60 | 21.40 | 27.00 | 32.30 | 71.80 | 92.80 | 116.80 | 140.10 |
| 55 years and over | 14.80 | 18.90 | 23.50 | 28.10 | 64.00 | 81.90 | 101.70 | 121.70 |
| Female | | | | | | | | |
| 12-19 years | 14.00 | 17.70 | 21.90 | 26.10 | 60.60 | 76.90 | 95.00 | 113.10 |
| 20-54 years | 13.50 | 17.30 | 21.50 | 25.60 | 58.40 | 75.00 | 93.00 | 110.80 |
| 55 years and over | 12.30 | 15.70 | 19.30 | 22.80 | 53.20 | 67.90 | 83.60 | 98.90 |
| Pregnant | 16.90 | 21.40 | 26.30 | 31.20 | 73.20 | 92.80 | 114.00 | 135.20 |
| Nursing | 17.90 | 22.70 | 28.20 | 33.40 | 77.70 | 98.30 | 122.10 | 144.90 |

[1] Assumes that food for all meals and snacks is purchased at the store and prepared at home. Estimates for each plan were computed from quantities of foods published in the Winter 1976 (thrifty plan) and Winter 1975 (low-cost, moderate-cost, and liberal plans) issues of *Family Economics Review*. The costs of the food plans were first estimated using prices paid in 1965-66 by households from USDA's Household Food Consumption Survey with food costs at 4 selected levels. USDA updates these survey prices to estimate the current costs for the food plans using information from the Bureau of Labor Statistics: "Estimated Retail Food Prices by Cities" from 1965-66 to 1977 and "CPI Detailed Report," tables 3 and 9, after 1977.

[2] Coupon allotment in the Food Stamp Program based on this food plan.

[3] 10 percent added for family size adjustment. See footnote 4.

[4] The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person—add 20 percent; 2-person—add 10 percent; 3-person—add 5 percent; 5- or 6-person—subtract 5 percent; 7- or more person—subtract 10 percent.

# CONSUMER PRICES

Consumer Price Index for all urban consumers
(1967 = 100)

| Group | Dec. 1981 | Nov. 1981 | Oct. 1981 | Dec. 1980 |
|---|---|---|---|---|
| All items | 281.5 | 280.7 | 279.9 | 258.4 |
| Food | 277.8 | 277.1 | 277.6 | 266.4 |
| Food at home | 271.7 | 271.0 | 272.1 | 263.9 |
| Food away from home | 297.7 | 297.2 | 296.2 | 277.7 |
| Housing | 305.2 | 304.2 | 303.5 | 276.9 |
| Shelter | 328.0 | 327.2 | 326.6 | 298.5 |
| Rent | 216.5 | 215.0 | 213.6 | 199.6 |
| Homeownership | 367.8 | 367.2 | 366.7 | 334.2 |
| Fuel and other utilities | 331.8 | 329.8 | 330.1 | 289.9 |
| Fuel oil, coal, and bottled gas | 682.5 | 676.1 | 672.7 | 585.3 |
| Gas (piped) and electricity | 359.9 | 358.3 | 360.6 | 313.9 |
| Household furnishings and operation | 227.7 | 227.2 | 225.6 | 211.6 |
| Apparel and upkeep | 190.5 | 191.3 | 191.5 | 183.9 |
| Men's and boys' | 181.6 | 183.6 | 183.6 | 174.3 |
| Women's and girls' | 159.6 | 160.6 | 161.2 | 157.4 |
| Footwear | 205.7 | 205.1 | 204.2 | 196.6 |
| Transportation | 289.8 | 289.1 | 287.2 | 261.1 |
| Private | 286.5 | 285.8 | 283.9 | 259.4 |
| Public | 333.8 | 333.2 | 330.8 | 280.1 |
| Medical care | 310.2 | 308.2 | 304.8 | 275.8 |
| Entertainment | 227.3 | 226.8 | 225.5 | 212.0 |
| Other goods and services | 246.7 | 245.9 | 245.2 | 224.6 |
| Personal care | 239.1 | 237.7 | 236.9 | 220.9 |

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## CONTENTS


Page

### ANNUAL OUTLOOK PAPERS

Clothing and Textiles: Supplies, Prices and Outlook for 1982 .......... 3
*Joan C. Courtless*

The Family in the Eighties' Economy .......... 10
*Kathleen K. Scholl*

The Outlook for Housing and Mortgage Markets .......... 12
*Dale P. Riordan*

Bankruptcy in the United States .......... 16
*William C. Dunkelberg*

Family Support Seminar .......... 20
*A. Sidney Johnson*

The Continuing Consumer Expenditure Survey .......... 21
*Eva E. Jacobs*

Food Outlook .......... 22
*R. McFall Lamm and Paul C. Westcott*

### ABSTRACTS

Income and Living Arrangements Among Poor Aged Singles .......... 19

Money Income and Poverty Status of Families and Persons .......... 23

Social and Economic Characteristics of Americans During Midlife .......... 24

Budgets for a Retired Couple .......... 24

Assets of the Elderly as They Retire .......... 29

### REGULAR FEATURES

Some New USDA Publications .......... 9

Updated Estimates of the Cost of Raising a Child .......... 26

Current Research Projects .......... 28

Cost of Food at Home .......... 30

Consumer Prices .......... 31



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